

**MINUTES OF MEETING #370
BOARD OF TRUSTEES
KENTUCKY RETIREMENT SYSTEMS
NOVEMBER 17, 2011 AT 9:00 A.M., E.T.
BOARD ROOM
PERIMETER PARK WEST, 1270 LOUISVILLE ROAD
FRANKFORT, KENTUCKY 40601**

At the quarterly Meeting of the Board of Trustees held on November 17, 2011, the following Trustees were in attendance: Jennifer Elliott, Chair; Thomas Elliott, Vice Chair; Bobby Henson; Vince Lang; Timothy Longmeyer; Randy Overstreet; Susan Smith; Christopher Tobe; and Robert Wilcher. In addition, the following KRS staff was present: William A. Thielen, Charlene Haydon, TJ Carlson, Jennifer A. Jones, Ann Case, Todd Coleman, Scarlett Consalvi, Connie Davis, Marlane Robinson, Connie Pettyjohn, Abby Southerland, Shawn Sparks, Blaine Walker, and Leigh Taylor, Recording Secretary. Other present were: Frank Willey, Jennifer Rowe, Brad Gross, Shirley Clark, Joseph Overhults, Jana Smith, Jim and Eva Carroll, Ed Davis, Gary Smallwood.

Item 1

Ms. Elliott introduced the first agenda item: *Approval of Minutes #367 and #369*. Following comments, Mr. Tobe moved and was seconded by Mr. Longmeyer to accept the amended minutes of the August 18, 2011 Board Meeting. The motion passed unanimously. Mr. Tobe moved and was seconded by Mr. Longmeyer to accept the minutes of the October 24, 2011 Board Meeting. The motion passed unanimously.

Item 2

Ms. Elliott introduced the agenda item: *Affirmative Action Plan*. Ms. Robinson recapped the report staffing numbers through September 30, 2011: KRS has 251 full-time employees; female

staff is 60.87%; 8.76% self identify as being a member of minority groups. This report was presented for informational purposes only.

Item 3

Ms. Elliott introduced the agenda item *Human Resources Committee Report*. Ms. Robinson reported the Human Resources Committee had selected CBIZ after a review of the submitted RFPs. Mr. Elliott moved and as seconded by Mr. Overstreet to approve CBIZ to perform the organizational and operational class and compensation study at KRS, pending successful contract negotiations. The motion passed unanimously.

Item 4

Ms. Elliott introduced the agenda item *Retiree Healthcare Plan Committee Report*. Ms. Pettyjohn updated the Board on items reviewed and recommended by the Committee at the October 24, 2011 meeting. Mr. Elliott moved and was seconded by Mr. Lang to allow Staff to select an appropriately credentialed vendor after a review of proposals to perform the CMS required review. The motion carried unanimously.

Fred and Rose Nett entered the meeting during this presentation.

Item 5

Ms. Elliott introduced the agenda item *Legal, Compliance, and Governance Committee Report*. Ms. Jones reviewed the responses to the RFP for various outside counsel. Following discussion, Mr. Elliott moved and was seconded by Mr. Tobe to approve Ice Miller as tax and fiduciary counsel, Stoll Keenon Ogden as general legal counsel, and Polisnelli Shughart as health law counsel, subject to successful contract negotiations. The motion passed unanimously.

Item 6

Ms. Elliott introduced the agenda item *Audit Committee Quarterly Report*. Mr. Wilcher reviewed the items discussed at the quarterly Audit Committee meeting. Mr. Longmeyer moved and was seconded by Mr. Lang to approve the actions and report of the Audit Committee. The motion passed unanimously.

J.D. Chaney entered the meeting during this presentation.

Item 7

Ms. Elliott introduced the agenda item *Audit Report for Year Ending June 30, 2011*. Mr. Overhults reviewed the external audit for the year ending June 30, 2011. Mr. Carlson then presented the investment updates to the audit. Following discussion, Mr. Wilcher moved to approve the external audit and was seconded by Mr. Lang. The motion passed unanimously.

Mr. Overhults exited the meeting following this presentation.

Item 8

Ms. Elliott introduced the agenda item *Financial Statements as of September 30, 2011*. Mr. Thielen presented the unaudited financial statements to the Board. This report was presented for informational purposes only.

Item 9

Ms. Elliott introduced the agenda item *Comprehensive Annual Financial Report as of June 30, 2011*. Mr. Thielen reviewed the draft CAFR for the Board. Mr. Wilcher moved and was seconded by Ms. Smith to approve publication of the CAFR subject to minor changes. The motion passed unanimously.

Item 10

Ms. Elliott introduced the agenda item *Legislative and Quarterly Budget Update*. Mr. Thielen noted the KRS budget has been submitted to the State Budget Office for approval. Mr. Thielen recapped recent meetings with state legislative members regarding proposed updates to the previously submitted HB 480. This report was presented for informational purposes only.

Ms. Elliott called for a 10 minute break and the meeting was suspended. *During the break, Ms. Pettyjohn, Ms. Southerland, Ms. Robinson, and Ms. Walker exited the meeting.*

Item 11

Ms. Elliott called the meeting back into session and introduced the agenda item *Death Benefit Payments, First Quarter*. Mr. Lang moved approval of the payments and was seconded by Mr. Longmeyer. The motion passed unanimously.

Item 12

Ms. Elliott introduced the agenda item *Refund of Member Contributions for the Quarter Ended September 30, 2011*. Mr. Wilcher moved and was seconded by Ms. Smith to approve the Refund of Member Contributions. The motion passed unanimously.

Tammy and Phillip Watkins entered the meeting during the presentation.

Item 13

Ms. Elliott introduced the agenda item *Investment Portfolio as of September 30, 2011*. Mr. Carlson reviewed the status of the investment portfolio through September 30, 2011. This report was presented for informational purposes only.

Item 14

Ms. Elliott introduced the agenda item *Investment Committee Quarterly Report*. Mr. Carlson provided a summary from the November 3, 2011 Investment Committee meeting. Mr. Tobe moved to approve the actions of the Investment Committee and was seconded by Mr. Longmeyer. The motion passed unanimously.

Mr. Thomas Cavanaugh, Mr. Todd Green and Ms Alisa Bennett entered the meeting during this presentation.

Item 15

Ms. Elliott introduced the agenda item *Participation of Additional Agencies and Hazardous Positions*. Mr. Thielen reported that Campbell County Economic Progress Authority had requested participation status in CERS; in light of the new IRS regulations regarding participation requirements, Mr. Thielen recommended a delay in this decision as they had been granted conditional participation. Mr. Longmeyer moved and was seconded by Mr. Lang to approve all requests for hazardous duty coverage excepting the Campbell County Economic Progress Authority. The motion passed unanimously.

The hazardous positions approved are the following:

Positions for employees who have a participation date prior to September 1, 2008:

- Investigator, City of Bardstown, December 1, 1999
- Police Captain, City of Benton, July 1, 2010
- Firefighter/EMT, City of Edgewood, January 1, 2011
- Firefighter/EMT Lieutenant, City of Edgewood, January 1, 2011
- Police Major Criminal Investigations, City of Richmond, March 1, 2004
- Police Shift Commander/Patrol Sergeant, City of Richmond, July 1, 2000
- Police Sergeant/Investigations, City of Richmond, August 1, 2005
- Police Captain, City of Vine Grove, August 1, 2007
- Police Sergeant, City of Vine Grove, November 1, 2007
- Deputy Jailer-Chief, Hardin County Fiscal Court, December 1, 2011
- Deputy Jailer-Captain, Hardin County Fiscal Court, December 1, 2011
- Deputy Jailer-Sergeant Major, Hardin County Fiscal Court, December 1, 2011
- Deputy Jailer-Corporal, Hardin County Fiscal Court, December 1, 2011
- Deputy Jailer-Information Technology, Hardin County Fiscal Court, December 1, 2011
- Deputy Jailer-Major, Hardin County Fiscal Court, December 1, 2011

Deputy Jailer-Lieutenant, Hardin County Fiscal Court, December 1, 2011
Deputy Jailer-Sergeant, Hardin County Fiscal Court, December 1, 2011
Deputy Jailer-Maintenance I & II, Hardin County Fiscal Court, December 1, 2011
Assistant Chief, Simpsonville Fire Department, December 1, 2011
Assistant Chief, Spencer County Fire District, December 1, 2011

Positions for employees who have a participation date after September 1, 2008:

Deputy Sheriff, Bell County Fiscal Court, May 1, 2011
Fire Sergeant/EMT, Central Campbell County Fire Department, June 1, 2009
Firefighter/EMT Lieutenant, City of Edgewood, January 1, 2011
Firefighter/EMT, City of Edgewood, January 1, 2011
Firefighter/Paramedic, City of Taylor Mill, July 1, 2009
Captain, City of Vine Grove, December 1, 2011
Sergeant, City of Vine Grove, December 1, 2011
Deputy Sheriff, Fleming County Fiscal Court, December 1, 2011
Deputy Jailer-Chief, Hardin County Fiscal Court, December 1, 2011
Deputy Jailer-Captain, Hardin County Fiscal Court, December 1, 2011
Deputy Jailer-Sergeant Major, Hardin County Fiscal Court, December 1, 2011
Deputy Jailer-Corporal, Hardin County Fiscal Court, December 1, 2011
Deputy Jailer-Information Technology, Hardin County Fiscal Court, December 1, 2011
Deputy Jailer-Major, Hardin County Fiscal Court, December 1, 2011
Deputy Jailer-Lieutenant, Hardin County Fiscal Court, December 1, 2011
Deputy Jailer-Sergeant, Hardin County Fiscal Court, December 1, 2011
Deputy Jailer-Maintenance I & II, Hardin County Fiscal Court, December 1, 2011
Deputy Sheriff, Livingston County Fiscal Court, June 1, 2010
Deputy Sheriff, Marion County Fiscal Court, January 1, 2011
Sheriff, Marion County Fiscal Court, December 1, 2011
Jailer, Pulaski County Fiscal Court, December 1, 2011
Deputy Jailer Captain, Pulaski County Fiscal Court, December 1, 2011
Deputy Jailer Sergeant, Pulaski County Fiscal Court, December 1, 2011
Deputy Jailer Food Service Personnel, Pulaski County Fiscal Court, December 1, 2011
Deputy Jailer Food Service Supervisor, Pulaski County Fiscal Court, December 1, 2011
Deputy Jailer Administrative Personnel, Pulaski County Fiscal Court, December 1, 2011
Deputy Jailer Maintenance Supervisor, Pulaski County Fiscal Court, December 1, 2011
Deputy Jailer Major, Pulaski County Fiscal Court, December 1, 2011
Deputy Jailer Lieutenant, Pulaski County Fiscal Court, December 1, 2011
Deputy Jailer Correctional, Pulaski County Fiscal Court, December 1, 2011
Assistant Chief, Simpsonville Fire Department, December 1, 2011
Firefighter, Simpsonville Fire Department, March 1, 2011
Fire Chief, Simpsonville Fire Department, December 1, 2011
Assistant Chief, Spencer County Fire District, December 1, 2011

Mr. John Cheeves and Mr. Kevin Wheatley entered the meeting during this presentation.

Item 16

Ms. Elliott introduced the agenda item *Actuarial Valuation for Year Ending June 30, 2011*. Mr. Cavanaugh, Mr. Green, and Ms. Bennett presented the valuation results for pension and insurance for each system. The actuarially recommended beginning July 1, 2012 rates are as follows:

KERS (non-hazardous) retirement 28.03%; insurance 16.52%; total contribution rate: 44.55%

KERS (hazardous) retirement 16.16%; insurance 19.73; total contribution rate: 35.89%

CERS (non-hazardous) retirement 12.62%; insurance 8.59%; total contribution rate: 21.21%

CERS (hazardous) retirement 20.10%; insurance 21.84%; total contribution rate: 41.94%

SPRS retirement 47.48%; insurance 55.93%; total contribution rate: 103.41%

Mr. Overstreet moved to approve the June 30, 2011 actuarial valuation and the actuarially recommended employer contribution rates for 2012-2013. The motion was seconded by Mr. Longmeyer. The motion passed unanimously.

Mr. Mike Wynn entered the meeting during this presentation.

Item 17

Ms. Elliott introduced the agenda item *GASB Proposed Amendment Presentation*. Mr. Cavanaugh made a presentation on the GASB proposed amendments to standards 25 and 27 and the possible impact of the amendments on KRS. This report was presented for informational purposes only.

Tom and Patricia Moore entered the meeting during the presentation. After the presentation, Ms. Elliott called for a 30 minute lunch break and the room cleared.

Item 18

Ms. Elliott called the meeting back into order and introduced the agenda item *START Quarterly Report*. Ms. Gibbs reported on the successful go-live phase of the START Project. This report was presented for informational purposes only.

Following the presentation, Ms. Gibbs and Ms. Stephens exited the meeting.

Item 19

Ms. Elliott introduced the agenda item: *Review of Vacancies on Medical Review Board*. Ms. Haydon presented the credentials of the proposed candidate for the Medical Review Board. Mr. Lang moved and was seconded by Ms. Smith to hire Dr. Cynthia Rauker Rigby to fill the position on the Medical Review Board. The motion passed unanimously.

Item 20

Ms. Elliott introduced the agenda item *KRS Per Diem Policy*. Ms. Jones presented background on the KRS per diem policy. Following discussion, the Board took no action on this item and directed Staff to continue to investigate all options.

Item 21

Ms. Elliott introduced the agenda item *Kentucky Public Retirees Request and Presentation*. Mr. Thielen presented background information of the requests from KPR to the Board. Mr. Elliot moved and was seconded by Mr. Tobe to accept the opinion of the Kentucky Executive Branch Ethics Commission that KRS may not legally comply with the requests made by KPR. The motion passed; Mr. Henson, Mr. Overstreet, and Ms. Smith recused themselves from the discussion and vote. Mr. Thielen then introduced Mr. Moore, who gave a short presentation on the history and objectives of KPR to the Trustees.

During the presentation, Paul Reilender and Robert Kellerman entered the meeting. Following the presentation, Mr. and Mrs. Moore and Mr. Wheatley exited the meeting.

Item 22

Ms. Elliott introduced the agenda item *Other Business*. Mr. Thielen reported that the iPad feasibility study was underway and a full report would be given in February, 2012. Mr. Thielen reported Mr. Schultz would be unable to serve as a consultant but would remain as a part-time employee under the same parameters as previously approved by the Board. Mr. Thielen informed the Board on the complaint received by KRS regarding participation in CERS by County Magistrates. He stated that KRS staff was looking into the issue, but noted that KRS does not have the resources to act as an investigative and enforcement authority and must rely on the CERS agencies to report and make contributions on those persons who are eligible under the statutes to participate in CERS. Ms. Jones presented the revised Conflict of Interest Statement to the Board. Following discussion, Mr. Lang moved and was seconded by Mr. Wilcher to adopt the revised Conflict of Interest Statement with the removal of Section 4. The motion passed unanimously. Mr. Henson introduced Phil and Tammy Watkins and moved for KRS staff to look into the Watkins' insurance situation and report back on any option which may provide relief in their case; Mr. Lang seconded the motion. The motion passed unanimously. Ms. Jones briefed the Board on background regarding IRS recommendations on participation eligibility with respect to governmental agencies. Mr. Overstreet moved and was seconded by Mr. Lang for Staff, in conjunction with Ice Miller, to submit comments as necessary to the IRS on this matter. The motion passed unanimously.

Item 23

Ms. Elliott requested a motion to enter closed session under KRS 61.810(1)(c) for a discussion involving pending litigation due to the necessity of protecting the confidentiality of the Systems' litigation strategy and preserving any available attorney-client privilege and for a discussion

involving the appointment, discipline, or dismissal of an individual employee, pursuant to KRS 61.810(1)(f). Ms. Smith moved and was seconded by Mr. Elliott to enter closed session. The motion passed unanimously.

All participants except the Trustees, Mr. Thielen, Ms. Jones, Ms. Haydon, Ms. Rupinen, and Mr. Carlson exited the meeting.

Item 24

Following discussion in closed session, Ms. Elliott called the meeting back into open session and introduced the following agenda items: *Medical Examiners Approvals/Denials of Disability Retirement; Disability Appeals Committee Quarterly Report; Administrative Appeals Committee Quarterly Report; Annual Review Update for Recipients Receiving Disability Benefits; Recommendations for Hazardous Disability Retirement.* Mr. Wilcher moved and was seconded by Mr. Lang to accept and approve all reports. The motion passed unanimously.

Item 25

Mr. Thielen recommended the Board agree to reimburse Chris Tobe's separate legal counsel in the SEC inquiry subject to a successful negotiation of a representation agreement that contained the limitations discussed by the Board, which negotiation shall take place between KRS internal counsel and Reinhart directly with Edward Seigle or an attorney of Mr. Tobe's choice. Mr. Longmeyer moved to accept the motion and was seconded by Mr. Wilcher. The motion passed with Mr. Tobe abstaining.

There being no further business, the meeting was adjourned at 3:30 p.m. to meet on February 16, 2012 or upon call of the Chair, Executive Director, or at the request of five members of the Board.

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CERTIFICATION

I, S. Leigh Taylor, do certify that I was present at this meeting and that I have recorded above the action of the Board on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805 through 61.850 were met in connection with this meeting. Finally, I certify that the Minutes and supporting materials have been forwarded to each member of the Board and have been included in the permanent records of the Board.

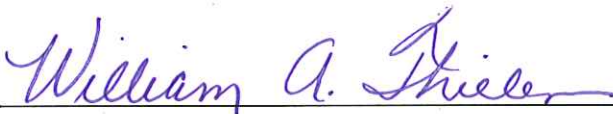


S. Leigh Taylor
Recording Secretary

We, the Chair and the Interim Executive Director of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of Meeting No. 367 were approved by the Board on February 16, 2012.

Signed: 

Chair

Signed: 

Interim Executive Director

I, Jennifer A. Jones, have reviewed the Minutes of Meeting No. 370 for form, content and legality.



Interim General Counsel